Operating a Retail Store

Understand how to make a retail store operational

Merchandising

Types of Merchandise

- Staple Goods – items that are constantly in demand by customers. Examples are toothpaste, milk, or bread.
  - Used consistently and replaced on a regular basis
  - Sales are easily predictable because they are bought on a consistent basis.
- Convenience Goods – small, inexpensive items that customers purchase frequently. Examples are gum, bottled water, or magazines.
  - Found in convenience stores, grocery stores or gas stations.

- Fashion Goods – items that are popular at a certain time. An example is clothing.
  - Includes any item that comes in or out of style
  - Retailer will maximize sales by acquiring the product as it is gaining popularity
- Seasonal Goods – products that are popular only at a certain time of year. Examples are swimsuits, boxed chocolates, or snow skis.

The Merchandise Mix

- Businesses must pay close attention to their target market and must obtain, develop, maintain, and continually improve upon their merchandise mix.
  - Components of the Mix
    - Merchandise Mix – made up of all the products that a business sells
    - Product Line – a group of closely related products that a business sells
    - Product Items – the products that make up a product line. A specific model or brand

- Merchandise Mix Strategies
  - Development – develop new products to bolster the company's image or to expand their market share.
  - Expansion – businesses can choose to add either new product items or new product lines.
  - Modification – altering a company's existing product.
  - Deletion – may occur when a product is no longer useful, obsolete, not fashionable, or room is needed for another product.

Buying and Pricing

Buying Activities

- The role of a buyer in a retail setting is to purchase goods for resale to the customer. Their activities include planning, research, and evaluation.
  - Merchandise planning – includes four elements – planned sales, a beginning-of-the-month inventory, planned purchases, and planned deductions such as employee discounts and markdowns.

- Research – helps buyers choose the best vendor for the needed products. In choosing a vendor for the products the following factors should be considered:
  - Production capabilities
  - Past experience
  - Product and buying arrangements
  - Special services
  - Discounts
  - Payment arrangements
- Evaluating – of both the products that were purchased and the vendor that supplied the product.

Pricing Strategies

- When determining the price of a product, it is important not only to maximize profits but also to provide value to the customer.
- Steps for product pricing
  - Determine Objectives – the business must determine what profit they want to earn and what strategy suites their style
  - Study Costs – the business should understand all costs involved in offering a product
  - Estimate Demand – the business should determine the demand for the product and set prices accordingly
  - Study Competition – the business should know the competition and the competition's prices
  - Select Strategy – the business must choose the pricing strategy for the business
    - Cost-oriented pricing
      - Markup – the difference between the cost of the product and its selling price
    - Demand-oriented pricing – is based on demand for the product. When demand is high, customers will be willing to pay more for the product.
    - Competition-oriented pricing – setting prices based on the competition's prices
  - Set Price

Psychological Pricing

- Odd-Even pricing – Research studies have determined that when a price ends with an odd number, customers perceive it as being a value or sale item. When a price ends with even numbers, customers may perceive it as being a full-price or more expensive item.
- Multiple pricing – offers the customer one price for purchasing multiple items.
- Promotional pricing – occurs when a sale is taking place within a store. The sale attracts customers into the store.

Receiving

Receiving Process

- The steps in the receiving process are
  - Receiving merchandise – the process a business uses to receive merchandise at their store.
    - Receiving record – a form used to describe the goods received
  - Checking Merchandise – verifies that the correct merchandise and quantities were delivered.
    - Blind Check Method – one of the most accurate, yet time consuming, methods for checking merchandise. Employees open boxes and make a list of items sent. This list is then compared with the invoice.
    - Direct Check Method – used the most frequent. Involves checking off the merchandise on the invoice.
    - Dummy Invoice Method – combines the best features of both the blind check method and the direct check method. Employees take an invoice without the quantities and records the amount of each item in the shipment.
    - Spot Check Method – takes the least amount of time, but is the least accurate method. Involves spot checking a certain number of boxes.

- Preparing Merchandise – involves getting the merchandise ready to sell. Steps include
  - Unpacking Merchandise
  - Ticketing Merchandise
  - Security Tags to protect against theft
  - Presentation

Handling Returns to Vendors

- Reasons for Returns
  - An item may have been received that was not ordered
  - An order may have been cancelled after it already shipped
  - Too many items were shipped
  - Merchandise arrived too late
  - Unsold merchandise may be returned for credit
- Procedures for Handling Returns – vary according to vendors
  - Credit memorandum – notification to the business that its account with the vendor has been credited for the return

Inventory

Inventory Methods

- Inventory – the amount of goods stored by a business.
  - Perpetual Inventory – a method of tracking inventory on a constant basis. The information required to maintain a perpetual inventory system can be collected either manually or electronically through a point-of-sale system – which is a computerized method of collecting inventory data.
  - Physical Inventory – system where stock is visually inspected or counted to determine the quantity on hand. Is usually conducted only periodically.
    - Visual Inspection – involves placing a card in a bin of merchandise stating what the product is and the quantity that should be on hand.
    - Counting Stock – gives the business an accurate number of what is in stock.
  - Combined System – involves using both the perpetual and physical inventory systems to insure an accurate count of the inventory.

Inventory Shrinkage

- Shrink – occurs when the physical count is less than the perpetual count. Can be caused by
  - Theft – by customers, employees, or vendors
  - Errors – through miscounting or computer input errors
- Shrink Prevention
  - Education of employees
  - Planning of the store layout to eliminate problem areas for theft
  - Security – can include security personnel, security devices, or pre-employment testing